

CITY OF YAKIMA
Yakima County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The City Should Foreclose On Delinquent Local Improvement District (LID) Assessments

We noted that, as of January 1, 1996, the City of Yakima had six properties with LID assessments that were two or more annual installments delinquent. Delinquent payments totaled \$9,413 and the most delinquent of these properties involved eight annual installments totaling \$2,446 without interest and penalties.

As of October 1996, these assessments remained unpaid and the city had not initiated foreclosure action.

Revised Code of Washington (RCW) 35.50.030 states in part:

If on the first day of January in any year, two installments of any local improvement assessment are delinquent . . . the city or town shall proceed with the foreclosure of the delinquent assessment or delinquent installments thereof by proceedings brought in its own name in the superior court of the county in which the city or town is situate.

The proceedings shall be commenced on or before March 1st of that year or on or before such other date in such year as may be fixed by general ordinance

City officials explained that they had not foreclosed on these LID properties because it would not be cost effective due to the insignificant amount of money owed.

The city's discretionary enforcement of foreclosure requirements could result in an inequitable treatment of LID property owners.

We recommend the city foreclose on all delinquent local improvement district assessments in accordance with statutory requirements.

Auditee's Response

The City acknowledges that the RCWs state that it shall foreclose on LID assessments two years in arrears. As said in your letter, management believes that it is not cost effective to undertake this process to force recovery for such an insignificant amount of money (\$9,413). That's true, that was said, but it was also said that the risk of loss of City funds is remote because of the lien status an LID assessment creates. When that property sells, the owner must satisfy the lien to obtain unencumbered title to the property. This is also the opinion of the City Attorney as conveyed to the Finance Department in a memo dated January 27, 1997, in response to our inquiry. Additionally, the City has not defaulted on its LID Bonds and Notes Payable because of the balances maintained

in the LID Guarantee Fund.

Auditor's Concluding Remarks

Thank you for your response. The State Auditor's Office understands the deep concern about using public funds efficiently. Although the city has a lien status on delinquent LID assessments not paid, there exists the risk that LID assessments listed as delinquent may in fact have been paid and misappropriated. Prompt notification of foreclosure on delinquent properties would, in fact, act as safeguard against such a scheme. We will review the corrective action taken by the city during our next audit.

2. Parking Citation And Permit Internal Controls Should Be Improved

Our audit of the controls over parking citations and permit disclosed the following significant weaknesses:

a. Parking Citations

- Issued citations are not adequately controlled and accounted for. Citations are filed by license number rather than citation number, decreasing accountability. For example, during the period January 1993 through June 1996, we noted 197 parking citations which were voided on the city's computer system because the originals could not be found.
- Numerical integrity of unissued citations is not adequately controlled. We noted one instance where some citation numbers were duplicated when new batches were printed, creating problems tracking citations.
- Parking citation books are not adequately controlled. Parking enforcement personnel do not sign for citation books issued to them and the storage room for the citation books is left unsecured.
- There are no written procedures concerning voiding parking citations.
- Cashiers are able to void citations on the computer system without a second party approval. In March 1995, a cashier voided 17 citations found under the cash drawer because the cashier felt it was not cost effective to process them.
- The majority of voided citations were not supported with an explanation for the void. We noted that two city employees had a total of 33 personal citations voided from January 1991 to March 1996.
- Access to the parking citation computer program is not adequately controlled. We noted that 15 current and 6 former employees had full access to the parking citation computer program.

b. Parking Permits

- Parking permit stubs are not properly controlled. The 1995 parking permit stubs were discarded and were not available for our audit and a log showing the disposition of the parking permits is not maintained. As a result, we were unable to account for approximately 296 of the

parking permit forms for 1995.

- Long-term parking permits are not issued in accordance with city code. We noted 28 of 39 long-term permits tested did not indicate any approval as required by city code.
- Sales tax was not uniformly collected from permit purchasers as required by state law.

These internal control weaknesses exist because city personnel have not adequately evaluated and designed written parking citation and permit procedures.

These weaknesses significantly increase the risk that errors or irregularities (fraud), involving parking citation and permit transactions, could occur and would not be detected by city personnel in a timely manner.

We recommend that the city implement appropriate internal control procedures to resolve the above noted weaknesses and ensure that parking citation and permit collections are recorded and deposited.

Auditee's Response

Management disagrees that the first four items listed are significant weaknesses. During the period of time when 197 parking citations were voided, more than 79,000 were issued and presumable located and collected. The citations discussed here could represent as little as \$985 in revenue to the city. Management has taken action to correct the other weaknesses noted above.

Auditor's Concluding Remarks

We agree that any individual weakness noted by itself may be deemed insignificant. We believe the weaknesses taken as a whole are significant to ensuring that all parking permits and parking citations are properly accounted for and public funds are safeguarded from errors or irregularities. We appreciate management's response. We will review the corrective actions taken during our next examination.